

## Message Text

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61

ORIGIN EB-07

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66619

DRAFTED BY EB/IFD/ODF:BGCROWE:CU

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----- 015240

R 132151Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY PARIS

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THE FOLLOWING REPEATS SECSTATE 006991 ACTION  
BONN BRUSSELS LONDON OTTAWA ROME STOCKHOLM  
TOKYO THE HAGUE INFO DACCA ISLAMABAD 11 JAN  
1975. QUOTE:

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: BILATERAL DEBT AGREEMENTS WITH PAKISTAN AND  
BANGLADESH

1. ON JUNE 28 A MEMORANDUM OF UNDERSTANDING ON DEBT RELIEF  
FOR PAKISTAN WAS SIGNED BY THE GOVERNMENT OF PAKISTAN AND  
THE IBRD AS CHAIRMAN OF THE AID-TO-PAKISTAN CONSORTIUM.  
DIRECTLY RELATED TO THE AGREEMENT WITH PAKISTAN WAS AN  
UNDERSTANDING BETWEEN THE CONSORTIUM CREDITORS AND  
BANGLADESH THAT BANGLADESH WOULD ASSUME LIABILITY FOR  
PRE-WAR PAKISTAN DEBT ON PROJECTS VISIBLY LOCATED IN ITS  
TERRITORY.

2. REQUEST YOU FIND OUT FROM APPROPRIATE HOST GOVERNMENT  
OFFICIALS THE STATUS OF BILATERAL DEBT AGREEMENTS BETWEEN  
HOST GOVERNMENT AND PAKISTAN AND BANGLADESH WHICH WOULD  
FORMALLY IMPLEMENT THE ABOVE MENTIONED MULTILATERAL ACCORDS.

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3. DRAFTS OF PROPOSED BILATERAL U.S.-PAKISTAN AND U.S.-BANGLADESH AGREEMENTS WERE DELIVERED TO RESPECTIVE COUNTRY EMBASSIES IN WASHINGTON IN NOVEMBER. NEGOTIATIONS ON FINAL TEXT OF BOTH AGREEMENTS CURRENTLY TAKING PLACE IN DACCA AND ISLAMABAD. WE ARE HOPING FINALIZE AGREEMENTS AS SOON AS POSSIBLE.

4.(A) FOR BONN: REF: BONN 0052 -- SECTION 3 (C) OF

THE MEMORANDUM OF UNDERSTANDING ON DEBT RELIEF FOR PAKISTAN NOTES THAT IF A COUNTRY IS UNABLE TO PROVIDE DEBT RELIEF FOR THEIR ASSIGNED SHARE IN A PARTICULAR YEAR, THE COUNTRY "MAY PROVIDE COMPENSATING RELIEF IN ANY YEAR OR YEARS, AS AGREED WITH THE GOP, PROVIDED THAT THE PRESENT VALUE OF SUCH COMPENSATING RELIEF, WHEN DISCOUNTED AT 10 PERCENT TO THE YEAR IN WHICH IT SHOULD HAVE BEEN GIVEN, COVERS THE SHORTFALL IN THAT YEAR".

(B) U.S. PLANS RESCHEDULE ONLY CERTAIN CATEGORIES OF A.I.D. LOANS DURING FOUR YEAR PERIOD COVERED BY RESCHEDULING AGREEMENT. TO COMPENSATE FOR RESULTING SHORTFALL U.S. PLANS, IN ACCORDANCE WITH THE OPTION NOTED ABOVE, TO PROVIDE ADDITIONAL RELIEF ON THESE A.I.D. LOANS IN 1978/79 AND 1979/80. WE EXPECT TOTAL RESCHEDULING PERIOD TO COVER APPROXIMATELY 5 1/2 YEARS.

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